

BOWIE COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2016



PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

BOWIE COUNTY, TEXAS

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TABLE OF CONTENTS

SEPTEMBER 30, 2016

	<u>Page Number</u>
FINANCIAL SECTION	
Independent Auditors' Report.....	1 – 3
Management's Discussion and Analysis	4 – 9
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	10
Statement of Activities.....	11
Fund Financial Statements	
Balance Sheet – Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances of Governmental Funds To the Statement of Activities	15
Statement of Fiduciary Assets and Liabilities – Agency Funds	16
Notes to Financial Statements.....	17 – 37

BOWIE COUNTY, TEXAS

TABLE OF CONTENTS

SEPTEMBER 30, 2016

**Page
Number**

FINANCIAL SECTION

Required Supplementary Information

Schedule of Revenues and Expenditures – Budget and Actual – General Fund.....	38 – 39
Notes to the Required Supplementary Information – Budgetary Schedule	40
Schedule of Changes in Net Pension Liability and Related Ratios	41
Schedule of Employer Contributions.....	42
Notes to Schedule of Employer Contributions	43
Schedule of Funding Progress for Post-retirement Health Care Benefit Plan.....	44

Combining Fund Statements

Nonmajor Governmental Funds

Combining Balance Sheet.....	45 – 46
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	47 – 48

Agency Funds

Combining Statement of Fiduciary Assets and Liabilities	49 – 50
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FINANCIAL SECTION

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PATILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable County Judge
And Members of the Commissioners' Court
Bowie County
New Boston, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bowie County, Texas (the "County"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bowie County, Texas, as of September 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of Revenues and Expenditures – Budget and Actual – General Fund, the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of Employer Contributions – TMRS and the Schedule of Funding Progress – Post-retirement Health Care Benefit Plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2017, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, LLP

Waco, Texas
April 21, 2017

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**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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Management's Discussion and Analysis

This section of the Bowie County, Texas (the "County") financial report presents a narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2016.

FINANCIAL HIGHLIGHTS

- The County's total net position increased by \$7,957,725, or 23%, over the course of this year's operations.
- The total government-wide assets and deferred outflows of resources of the County exceeded the liabilities and deferred inflows of resources at September 30, 2016, by \$43,315,271 and is reported as total net position of the County. Of this amount, (\$6,876,257) represents unrestricted net position, \$34,129,181 is restricted, and \$16,062,347 is the net investment in capital assets.
- As of September 30, 2016, the County's governmental funds reported combined fund balances of \$17,919,320, as compared to \$19,405,307 at September 30, 2015. This represented a decrease of \$1,485,987. This decrease can be primarily attributed to the County spending bond proceeds on capital projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements, which are comprised of the following three components: 1) Government-wide financial statements; 2) Fund financial statements and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements are designed to provide readers with a broad overview of County finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all County assets, deferred inflows/outflows of resources and liabilities, with the difference representing net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information that indicates how net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or in part a portion of their costs through user fees and charges (business-type activities). The County has no business-type activities. The governmental activities of the County include general government, public safety, public works and welfare.

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds. The County does not have any proprietary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains 12 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the major governmental funds. Data from other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found following the governmental fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the County's compliance with its adopted budget for the General Fund, its employee pension plan and its progress in funding its obligation to provide OPEB benefits to its employees. Required supplementary information can be found immediately following the notes to the financial statements. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Bowie County, assets exceeded liabilities by \$43,315,271 at the close of the most recent fiscal year. The following table indicates the County's financial position as of September 30, 2016 and September 30, 2015.

BOWIE COUNTY'S NET POSITION

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Current assets	\$ 75,332,899	\$ 66,927,526
Capital assets	<u>16,744,855</u>	<u>17,780,788</u>
Total assets	<u>92,077,754</u>	<u>84,708,314</u>
Total deferred outflows of resources	<u>5,865,252</u>	<u>1,450,774</u>
Current liabilities	1,752,531	3,930,108
Noncurrent liabilities	<u>52,267,289</u>	<u>45,931,087</u>
Total liabilities	<u>54,019,820</u>	<u>49,861,195</u>
Total deferred inflows of resources	<u>607,915</u>	<u>257,839</u>
Net position:		
Net investment in capital assets	16,062,347	17,780,788
Restricted	34,129,181	15,728,581
Unrestricted	<u>(6,876,257)</u>	<u>2,530,685</u>
Total net position	<u>\$ 43,315,271</u>	<u>\$ 36,040,054</u>

The first portion of the County's current fiscal year net position, \$16,062,347, reflects its investments in capital assets (e.g. land, improvements, buildings, equipment, infrastructure) less any related debt used to acquire these assets that is outstanding. The main use of these capital assets is to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Of the County's current fiscal year net position, (\$6,876,257) represents unrestricted net position and \$34,129,181 represents restricted net position. The restricted net position has constraints which have been placed on the use of these resources either (a) externally imposed by creditors, grantors, contributors, or by laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

The following table indicates the changes in net position for governmental activities:

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
REVENUES		
Program revenues:		
Charges for services	\$ 10,070,180	\$ 7,359,365
Operating grants and contributions	7,435,970	11,303,082
General revenues:		
Taxes - levied for general purposes	15,730,395	14,222,700
Taxes - levied for debt service	2,514,990	7,015,968
Sales taxes	6,431,637	6,170,544
Other taxes	234,344	232,049
Investment earnings	90,826	66,287
Miscellaneous	84,057	103,838
Total revenues	<u>42,592,399</u>	<u>46,473,833</u>
EXPENSES		
General government	8,038,684	7,692,421
Public safety	20,039,023	17,616,468
Public works	3,473,633	3,153,798
Health and welfare	1,805,223	1,383,802
Interest on long-term debt	1,278,111	1,270,203
Total expenses	<u>34,634,674</u>	<u>31,116,692</u>
CHANGE IN NET POSITON	7,957,725	15,357,141
PRIOR PERIOD ADJUSTMENT	(682,508)	(1,720,573)
NET POSITION, BEGINNING	<u>36,040,054</u>	<u>22,403,486</u>
NET POSITION, ENDING	<u>\$ 43,315,271</u>	<u>\$ 36,040,054</u>

Property taxes are collected to support governmental activities through the General and Debt Service funds. Property taxes decreased by \$2,993,283, or 14%, for the fiscal year. This decrease was primarily due to a decrease in the debt service tax rate. In the prior year, the debt service tax rate increased in order to retire a \$5,000,000 short-term tax note issued to fund a projected cash flow deficit. Income from charges for services increased by \$2,710,815. These revenues increased mainly due to the ability to obtain contracts for the housing of contract inmates during the fiscal year. Grants and contributions decreased by \$3,867,112 during 2016 as expenditures decreased under a TXDOT grant project for the purpose of constructing, improving, extending, expanding, and upgrading U.S. Highway 82. Expenses for the County increased by \$3,517,982 during the fiscal year.

FINANCIAL ANALYSIS OF MAJOR FUNDS

Governmental Funds. The County's major general government functions are contained in the General Fund. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At September 30, 2016, the County's governmental funds reported combined fund balances of \$17,919,320 as compared to \$19,405,307 at September 30, 2015.

The General Fund is the chief operating fund of the County. At September 30, 2016, the General Fund reported revenues of \$33,762,618 and expenditures of \$30,746,265 as compared to revenues of \$28,940,448 and expenditures of \$27,589,498 at September 30, 2015. Unassigned fund balance for the General Fund at year-end was \$5,718,435.

GENERAL FUND BUDGETARY HIGHLIGHTS

Tax revenues were under budgeted by approximately \$2,044,786. Correspondingly, total General Fund appropriations exceeded expenditures by \$269,907.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The County's investment in capital assets for its governmental activities as of September 30, 2016, amounted to \$16,062,347 (net of accumulated depreciation) as compared to \$17,780,788 at September 30, 2015. This investment in capital assets includes land, buildings and improvements, structures, equipment, vehicles, machinery, and other tangible and intangible assets.

For further information regarding capital assets, see Note 3 to the financial statements.

Long-term Debt. At September 30, 2016, the County had total long-term liabilities outstanding of \$52,267,289. Total long-term liabilities outstanding at September 30, 2015, were \$45,931,087.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The 2016-2017 Budget includes salary increases for all County employees of 5%. This is the first increase in salaries since 2012. Also, at the end of 2016 Commissioners approved a \$2,000,000 tax note. The tax note is to be used for the purchase of fleet vehicles for the Sheriff's department, road equipment, election machines, and a radio tower. Projected savings on the fleet vehicles is estimated to be \$250,000 annually.

The 2016-2017 Budget increases the overall tax rate by 6.3%. Much of the increase is due to additional debt; however, estimated savings from the fleet vehicles will help the General Fund long-term. The total tax rate for 2016-2017 is \$0.424322, up from the prior year of \$0.399173.

Budgeted revenues for the General Fund total \$31,562,505. Budgeted expenses for the General Fund total \$31,985,669, resulting in a budgeted deficit of \$423,164. Anticipated healthcare cost increases for County employees attributed to most of the budgeted deficit.

The contract with The Arkansas Department of Corrections and Harris County to house inmates at the County's Correction Center has resulted in substantial savings to the County. The County expects to save approximately \$400,000 in fiscal year 2017 on the cost of housing Bowie County inmates.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the County Auditor's Office, P. O. Box 248, New Boston, Texas 75570.

BOWIE COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	Governmental Activities
ASSETS	
Cash and investments	\$ 15,679,326
Receivables, net of allowance for uncollectibles:	
Accounts	450,866
Adjudicated fines	686,363
Property taxes	1,304,774
Sales taxes	1,073,811
Intergovernmental	24,358,286
Tax note receivable	2,000,000
Prepaid expenses	153,954
Investment in joint venture	316,446
Infrastructure held for donation	29,309,073
Capital assets:	
Land	484,044
Buildings	20,302,056
Machinery and equipment	9,017,950
Infrastructure	36,191,231
Less: accumulated depreciation	(49,250,426)
Total capital assets	16,744,855
Total assets	92,077,754
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	5,865,252
Total deferred outflows of resources	5,865,252
LIABILITIES	
Accounts payable	1,264,603
Accrued liabilities	192,164
Due to other governments	11,726
Accrued interest	284,038
Noncurrent liabilities:	
Due within one year	2,120,513
Due in more than one year	50,146,776
Total liabilities	54,019,820
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	607,915
Total deferred inflows of resources	607,915
NET POSITION	
Net investment in capital assets	16,062,347
Restricted for:	
Debt service	24,489,666
Road improvements	7,330,756
Inmate benefit	299,654
District Attorney	247,083
Public safety	292,869
Records management and preservation	839,960
Court security	329,391
Justice court technology	118,902
Voting and election services	22,741
Health and welfare	25,861
Foster care	126,694
Drug Court	5,604
Unrestricted	(6,876,257)
Total net position	\$ 43,315,271

The accompanying notes are an integral part of these financial statements.

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BOWIE COUNTY, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and
		Charges for Services	Operating Grants and Contributions	Changes in Net Position
				Governmental Activities
Governmental activities:				
General government	\$ 8,038,684	\$ 2,391,122	\$ 797,644	\$(4,849,918)
Public safety	20,039,023	6,696,571	407,236	(12,935,216)
Public works	3,473,633	982,487	6,165,527	3,674,381
Health and welfare	1,805,223	-	65,563	(1,739,660)
Interest on long-term debt	1,278,111	-	-	(1,278,111)
Total governmental activities	\$ 34,634,674	\$ 10,070,180	\$ 7,435,970	(17,128,524)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				15,730,395
Property taxes, levied for debt service				2,514,990
Sales				6,431,637
Other				234,344
Investment earnings				90,826
Miscellaneous				84,057
Total general revenues				25,086,249
Change in net position				7,957,725
Net position, beginning				36,040,054
Prior period adjustment				(682,508)
Net position, beginning, as restated				35,357,546
Net position, ending				\$ 43,315,271

The accompanying notes are an integral part of these financial statements.

BOWIE COUNTY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments	\$ 8,120,752	\$ 6,522,638	\$ 143,312	\$ 892,624	\$ 15,679,326
Receivables (net of allowances for uncollectibles):					
Ad valorem taxes	1,002,646	-	302,128	-	1,304,774
Sales taxes	1,073,811	-	-	-	1,073,811
Accounts	450,866	-	-	-	450,866
Fines	686,363	-	-	-	686,363
Tax note receivable	-	2,000,000	-	-	2,000,000
Due from other funds	76,553	113,314	29,683	-	219,550
Due from other governments	323,513	-	24,014,543	20,230	24,358,286
Prepaid items	9,583	-	-	-	9,583
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ 11,744,087	\$ 8,635,952	\$ 24,489,666	\$ 912,854	\$ 45,782,559
LIABILITIES					
Accounts payable	\$ 1,199,772	\$ 57,860	\$ -	\$ 6,971	\$ 1,264,603
Accrued liabilities	192,164	-	-	-	192,164
Due to other funds	113,314	29,683	-	76,553	219,550
Due to other governments	11,726	-	-	-	11,726
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	1,516,976	87,543	-	83,524	1,688,043
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	1,877,407	-	24,297,789	-	26,175,196
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	1,877,407	-	24,297,789	-	26,175,196
FUND BALANCES					
Nonspendable:					
Prepaid items	9,583	-	-	-	9,583
Restricted:					
Road improvements	321,715	6,548,409	-	460,632	7,330,756
Other capital projects	-	2,000,000	-	-	2,000,000
District Attorney	247,083	-	-	-	247,083
Public safety	292,869	-	-	-	292,869
Records management and preservation	839,960	-	-	-	839,960
Court security	329,391	-	-	-	329,391
Justice court technology	118,902	-	-	-	118,902
Voting and election services	22,741	-	-	-	22,741
Health and welfare	25,861	-	-	-	25,861
Inmate benefit	-	-	-	299,654	299,654
Foster care	-	-	-	126,694	126,694
Drug Court	-	-	-	5,604	5,604
Debt service	-	-	191,877	-	191,877
Assigned:					
Budgeted deficit for next fiscal year	423,164	-	-	-	423,164
Unassigned	5,718,435	-	-	(63,254)	5,655,181
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	8,349,704	8,548,409	191,877	829,330	17,919,320
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources and fund balances	\$ 11,744,087	\$ 8,635,952	\$ 24,489,666	\$ 912,854	\$ 45,782,559

The accompanying notes are an integral part of these financial statements.

BOWIE COUNTY, TEXAS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS

TO THE STATEMENT OF NET POSITION

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Total fund balances - governmental funds balance sheet	\$ 17,919,320
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	16,744,855
The investment in joint venture is not an available resource and, therefore, is not reported in the funds.	316,446
Deferred outflows and inflows of resources related to pensions are not reported in the funds.	5,257,337
Infrastructure held for donation is not an available resource and, therefore, is not reported in the funds.	29,309,073
Bond insurance premiums are reported in the governmental funds as an expenditure and the costs (net of amortization) are reported as an asset in the statement of net position.	144,371
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable resources in the funds.	26,175,196
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(52,551,327)</u>
Net position of governmental activities	<u>\$ 43,315,271</u>

BOWIE COUNTY, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ 22,242,521	\$ -	\$ 2,514,990	\$ 44,629	\$ 24,802,140
Charges for services	9,629,980	-	-	114,799	9,744,779
Intergovernmental	1,393,549	-	-	451,723	1,845,272
Investment earnings	29,798	5,143	29,683	-	64,624
Rental income	382,714	-	-	-	382,714
Miscellaneous	84,056	-	-	-	84,056
Total revenues	<u>33,762,618</u>	<u>5,143</u>	<u>2,544,673</u>	<u>611,151</u>	<u>36,923,585</u>
EXPENDITURES					
Current:					
General government	7,405,711	-	-	90,139	7,495,850
Public safety	18,480,635	-	-	446,159	18,926,794
Public works	2,916,461	6,488,490	-	96,403	9,501,354
Health and welfare	1,694,166	-	-	-	1,694,166
Capital outlay	249,292	-	-	-	249,292
Debt service:					
Principal	-	-	1,375,000	-	1,375,000
Interest and other charges	-	-	1,215,275	-	1,215,275
Total expenditures	<u>30,746,265</u>	<u>6,488,490</u>	<u>2,590,275</u>	<u>632,701</u>	<u>40,457,731</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,016,353</u>	<u>(6,483,347)</u>	<u>(45,602)</u>	<u>(21,550)</u>	<u>(3,534,146)</u>
OTHER FINANCING SOURCES					
Transfers in	-	-	143,312	-	143,312
Transfers out	(10,000)	(133,312)	-	-	(143,312)
Sale of capital assets	48,159	-	-	-	48,159
Issuance of debt	-	2,000,000	-	-	2,000,000
Total other financing sources	<u>38,159</u>	<u>1,866,688</u>	<u>143,312</u>	<u>-</u>	<u>2,048,159</u>
NET CHANGE IN FUND BALANCES	3,054,512	(4,616,659)	97,710	(21,550)	(1,485,987)
FUND BALANCES, BEGINNING	<u>5,295,192</u>	<u>13,165,068</u>	<u>94,167</u>	<u>850,880</u>	<u>19,405,307</u>
FUND BALANCES, ENDING	<u>\$ 8,349,704</u>	<u>\$ 8,548,409</u>	<u>\$ 191,877</u>	<u>\$ 829,330</u>	<u>\$ 17,919,320</u>

The accompanying notes are an integral part of these financial statements.

BOWIE COUNTY, TEXAS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Net change in fund balances - total governmental funds: \$ (1,485,987)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlay	261,992
Depreciation	(1,247,635)

Governmental funds report infrastructure held for donation as expenditures. However, in the statement of activities the cost of those assets is capitalized until the asset is completed and donated. 6,488,490

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Property taxes	109,226
Court fines	(57,313)
Grants	5,590,699

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, the governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts are the net effect of these differences in the treatment of long-term debt and related items:

Issuance of long-term debt	(2,000,000)
Payment of principal on long-term debt	1,375,000
Amortization of premium on bonds	25,531
Amortization of prepaid bond insurance premium	(6,875)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales and donations) is to decrease net position.

Gain on sale of capital assets	(50,290)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Interest	(81,492)
Pension cost	(408,185)
Other postemployment benefits obligation cost	(517,298)
Compensated absences	(64,340)

The effect of the change in the County's equity interest in the Bi-State Justice Center does not require the use of current financial resources and, therefore, is not reported as (expenditures)/revenue in governmental funds.

26,202

Change in net position of governmental activities	<u>\$ 7,957,725</u>
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BOWIE COUNTY, TEXAS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
SEPTEMBER 30, 2016

ASSETS		
Cash and investments		\$ <u>11,473,882</u>
Total assets		\$ <u>11,473,882</u>
LIABILITIES		
Due to others		\$ <u>11,473,882</u>
Total liabilities		\$ <u>11,473,882</u>

The accompanying notes are an integral part of these financial statements.

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BOWIE COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Bowie County, Texas (the "County") was formed in 1841 and operates using a commission form of government under the laws and statutes of the Constitution of the State of Texas. The County provides various services to advance the welfare, health, comfort, safety and convenience of the County and its inhabitants.

The accounting and reporting policies of the County conform to generally accepted accounting principles (GAAP) applicable to state and local governments. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. As required by generally accepted accounting principles, these financial statements present Bowie County, Texas (the primary government) and its component units. There are no component units which meet the criteria for inclusion in the County's reporting entity.

Related Organizations

The County's officials are also responsible for appointing the members of the boards of other organizations, but the County's accountability for these organizations does not extend beyond making the appointments. The Commissioners' Court or specific committees of the Commissioners' Court appoint members of the following organizations: Bowie County Child Protective Services, Community Healthcore, TexAmericas Center and Ark-Tex Council of Governments.

Joint Venture

Bi-State Justice Center – the County is a participant in a joint venture in the Bi-State Justice Center with the City of Texarkana, Arkansas and the City of Texarkana, Texas. The Bi-State Justice Center is jointly occupied by law enforcement and criminal justice agencies of Bowie County, Texas; the City of Texarkana, Texas; and the City of Texarkana, Arkansas. The facility is located on the state line, half in Texarkana, Texas and half in Texarkana, Arkansas. The Intergovernmental Advisory Committee is responsible for the operations of the Center. This seven-member committee is comprised of the Bowie County Judge, one Bowie County Commissioner, two members from the City of Texarkana, Texas City Council, two members from the Texarkana, Arkansas Board of Directors, and one independent member. The Center accounts only for the operations of its own law enforcement and criminal justice agencies. The annual budget is underwritten by the participating entities based on a formula which uses floor space occupied, number of 911 calls received by the Building Information Center and the number of prisoners in the detention facility for each entity.

Bowie County, Texas' net investment, which consists of net position in the Bi-State Justice Center, is reported in the County's government-wide financial statements. The County's equity interest at September 30, 2016, was \$316,446 based on the Bi-state Justice Center's audited financial statements at December 31, 2015, (the latest available). Complete financial statements for the Bi-State Justice Center can be obtained from the City of Texarkana, Arkansas Finance Department.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The County has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as *general revenue*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be *available* when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

General Fund – This fund is established to account for resources devoted to financing the general services that the County performs for its citizens. General tax revenue and other sources of revenue used to finance the fundamental operations of the County are included in this fund. The fund is charged with all costs of operating the County for which a separate fund has not been established.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital assets and infrastructure.

The Debt Service Fund is used to account for the accumulation of resources for and the payment of debt principal and interest.

Additionally, the County reports the following fund types:

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Fiduciary Fund Types:

These funds account for assets held by the County as a trustee or agent for individuals, private organizations, and other units of government. These funds are as follows:

Agency Funds account for resources held for others in a custodial capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenue. Likewise, general revenue includes all taxes.

D. Assets, Liabilities and Net Position or Equity

Deposits and Investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the County to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements, money market mutual funds, direct obligations of the State of Texas, and local government investment pools.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” There were no “advances to/from other funds” at September 30, 2016.

All trade and property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to 44% of the current year tax levy. Trade collectibility is defined by the following schedule:

0 – 30 days	85% Probability of Collection
31 – 60 days	65% Probability of Collection
61 – 90 days	45% Probability of Collection
91 – 120 days	25% Probability of Collection
121 – 180 days	10% Probability of Collection
181 + days	1% Probability of Collection

Property taxes are levied on October 1 and attach as an enforceable lien on property as of January 1. Statements are mailed on October 1, or as soon thereafter as possible, and are due upon receipt. All unpaid taxes become delinquent if not paid before February 1 of the following year.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure (e.g. roads, bridges, sidewalks and similar items), are reported in the governmental column in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Improvements	5-50
Equipment	5-20
Infrastructure (streets and drainage)	35-50

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has the following items that qualify for reporting in this category.

- Pension contributions after measurement date - These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets - This difference is deferred and amortized over a four year period.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has the following items that qualify for reporting in this category.

- Under the modified accrual basis of accounting, unavailable revenue is reported in the governmental funds balance sheet as a deferred inflow of resources.
- In the statement of net position, the difference in expected and actual pension experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the County does not have a policy to pay any amounts when employees separate from service with the County. All vacation pay is accrued when incurred in the government-wide financial statements.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the current year.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by ordinance of the Commissioners' Court, the County's highest level of decision making authority. These amounts cannot be used for any other purpose unless the Commissioners' Court removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Commissioners' Court.

- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes any negative residual fund balances of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expenses, information about the Fiduciary Net Position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCERS's Fiduciary Net Position have been determined on the same basis as they are reported by TCERS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the County's Total Pension Liability is obtained from TCERS through a report prepared for the County by TCERS' consulting actuary in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting/or Pensions*.

2. DETAILED NOTES ON ALL FUNDS

Deposits and Investments

As of September 30, 2016, the County had the following investments:

<u>Investment Type</u>	<u>Net Asset Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool	\$ 10,154	43
TexSTAR	<u>5,602,688</u>	43
Total portfolio	<u>\$ 5,612,842</u>	

The County's investment in pools are 2a7-like pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Interest Rate Risk. In accordance with its investment policy, the County manages its exposure to declines in fair market values by limiting the weighted average maturity of its investment portfolios to a maximum of 90 days.

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2016, the County's deposit balance was fully collateralized with securities held by the pledging financial institution or was covered by FDIC insurance.

Credit Risk. It is the County's policy to limit its investments to investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization. Both of the County's investment pools were rated AAAM by Standard & Poor's Investors Service.

Receivables

Receivables as of year-end for the County's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Receivables:					
Ad valorem taxes	\$ 1,789,643	\$ 539,275	\$ -	\$ -	\$ 2,328,918
Sales tax	1,073,811	-	-	-	1,073,811
Adjudicated fines	13,727,259	-	-	-	13,727,259
Accounts	450,866	-	-	-	450,866
Intergovernmental	323,513	24,014,543	-	20,230	24,358,286
Tax note receivable	-	-	<u>2,000,000</u>	-	<u>2,000,000</u>
Gross receivables	17,365,092	24,553,818	2,000,000	20,230	43,939,140
Less: allowance for uncollectibles	<u>13,827,893</u>	<u>237,147</u>	<u>-</u>	<u>-</u>	<u>14,065,040</u>
Net total receivables	<u>\$ 3,537,199</u>	<u>\$ 24,316,671</u>	<u>\$ 2,000,000</u>	<u>\$ 20,230</u>	<u>\$ 29,874,100</u>

Interfund Receivables and Payables

The composition of interfund balances as of September 30, 2016, is as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 76,553
Capital Projects	General	<u>113,314</u>
		<u>\$ 189,867</u>

Balances resulted from the time lag between the dates that 1) interfund goods and services are provided on reimbursable expenditures, 2) transactions are recorded in the accounting system, and 3) payment between funds are made.

Interfund Transfers:

<u>Transfers out</u>	<u>Transfers in</u>	
Capital Projects	Debt Service Fund	\$ 133,312
General Fund	Debt Service Fund	<u>\$ 10,000</u>
		<u>\$ 143,312</u>

Capital Assets

Capital asset activity for the year ended September 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Government activities:				
Capital assets, not being depreciated:				
Land	\$ 484,044	\$ -	\$ -	\$ 484,044
Total capital assets not being depreciated	<u>484,044</u>	<u>-</u>	<u>-</u>	<u>484,044</u>
Capital assets, being depreciated:				
Buildings and improvements	20,302,056	-	-	20,302,056
Machinery and equipment	8,908,785	261,992	(152,827)	9,017,950
Infrastructure	36,191,231	-	-	36,191,231
Total capital assets being depreciated	<u>65,402,072</u>	<u>261,992</u>	<u>(152,827)</u>	<u>65,511,237</u>
Less accumulated depreciation:				
Buildings and improvements	9,904,304	392,490	-	10,296,794
Machinery and equipment	3,596,104	524,461	(102,537)	4,018,028
Infrastructure	34,604,920	330,684	-	34,935,604
Total accumulated depreciation	<u>48,105,328</u>	<u>1,247,635</u>	<u>(102,537)</u>	<u>49,250,426</u>
Total capital assets, being depreciated, net	<u>17,296,744</u>	<u>(985,643)</u>	<u>(50,290)</u>	<u>16,260,811</u>
Governmental activities capital assets, net	\$ <u>17,780,788</u>	\$ <u>(985,643)</u>	\$ <u>(50,290)</u>	\$ <u>16,744,855</u>

Depreciation expense was charged to functions/programs of the County as follows:

Governmental activities:	
General government	\$ 35,682
Public safety	903,856
Public works	<u>308,097</u>
Total depreciation expense - governmental activities	\$ <u>1,247,635</u>

Long-term Debt

On September 15, 2012, the County issued Pass-through Toll Revenue and Unlimited Tax Bonds, Series 2012 in the amount of \$34,910,000. These bond proceeds are being used for the purpose of constructing, improving, extending, expanding, and upgrading U.S. Highway 82 between FM 1840 and State Highway 98. The bonds are payable from and secured by the payments to be received by the County from the Texas Department of Transportation, which shall be available to pay principal and interest on the bonds as long as the bonds are outstanding (see "Pass-through Toll Agreement" on page 36). The County shall deposit such Pass-Through Toll Revenues to the credit of the Interest and Sinking Fund to the extent necessary to pay the

principal and interest on the bonds. If the County elects to levy a tax for the payment of the bonds, it will not be necessary to deposit the revenues in the Interest and Sinking Fund.

On September 15, 2016, the County issued Tax Anticipation Note, Series 2016 in the amount of \$2,000,000. These debt proceeds are being used for the purpose of purchasing fleet vehicles for law enforcement purposes and related equipment, election equipment, a radio tower, and road and bridge equipment.

A summary of the outstanding bonds and tax notes as of September 30, 2016 is as follows:

<u>Debt Security</u>	<u>Interest Rates</u>	<u>Amount</u>
Tax Anticipation Note, Series 2016	2.110%	\$ 2,000,000
Pass-through Toll Revenue and Unlimited Tax Bonds, Series 2012	2.0 - 4.0%	<u>32,785,000</u>
		<u>\$ 34,785,000</u>

Annual debt service requirements to maturity for the revenue and unlimited tax bonds and tax notes are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 1,925,000	\$ 1,206,847
2018	1,990,000	1,148,675
2019	2,055,000	1,078,525
2020	2,130,000	1,005,775
2021	1,700,000	930,025
2022-2026	9,710,000	3,586,025
2027-2031	9,930,000	1,848,750
2032-2036	4,350,000	676,450
2037	<u>995,000</u>	<u>37,313</u>
Totals	<u>\$ 34,785,000</u>	<u>\$ 11,518,385</u>

Compensated Absences

County employees earn annual leave up to a maximum of 15 days per year based on months of service. Fulltime regular employees earn 10 days of sick leave per year. Employees who have been employed for six or more months are eligible to be paid for all unused annual leave at their regular rate of pay upon termination of employment. Unused sick leave is not paid upon termination of employment.

At September 30, 2016, the County had accrued compensated absences in the amount of \$223,628.

Changes in Long-term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
TIRZ Payable	\$ 682,508	\$ -	\$ -	\$ 682,508	\$ 139,606
Tax Notes	-	2,000,000	-	2,000,000	500,000
Revenue and unlimited tax bonds	34,160,000	-	(1,375,000)	32,785,000	1,425,000
Premium on bonds	561,692	-	(25,531)	536,161	-
Compensated absences	159,288	205,776	(141,436)	223,628	55,907
Net pension liability	2,684,002	5,599,047	(1,126,460)	7,156,589	-
Net OPEB obligation	8,366,105	845,612	(328,314)	8,883,403	-
Governmental activities long-term liabilities	<u>\$ 46,613,595</u>	<u>\$ 8,650,435</u>	<u>\$(2,996,741)</u>	<u>\$ 52,267,289</u>	<u>\$ 2,120,513</u>

Compensated absences and the OPEB liability are generally liquidated by the General Fund.

Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the County carries commercial insurance. The County participates in a risk management program through Texas Association of Counties for workers' compensation coverage.

The County has not had any significant reductions in insurance coverage from coverage in the prior year. The amount of settlements has not exceeded insurance coverage in any of the previous three years.

Commitments and Contingencies

On February 11, 2013, the County entered into a contract with LaSalle Corrections, LLC (the "contractor") for the operation and management of the bi-state jail and detention center. The agreement allows for cancellation only upon material breach. Otherwise, the agreement is for three consecutive years with three one-year options for renewal. Under the agreement, the County is responsible for payment to the contractor a per diem rate of \$39.25 per day/per inmate at the Bi-State Justice Center and \$46.50 per day/per inmate at the Bowie County Correctional Center. The per diem increased by 3% on February 14, 2014, and will increase 3% annually thereafter. The contractor is responsible for providing basic medical and emergency health services, optical, dental care and all food, beverage, commissary, and related support services. The contractor is responsible for providing monthly financial information to the County as support for payment requested or remitted.

The County is the defendant in a number of lawsuits arising principally in the normal course of operations. In the opinion of the management, the outcome of these lawsuits will not have a material adverse effect on the accompanying financial statements and accordingly, no provision for losses has been recorded.

The County participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at September 30, 2016, may be impaired. In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Defined Benefit Pension Plan

Plan Description. The County participates in a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (“TCDRS”). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent, multiple-employer, public employee retirement system consisting of nontraditional defined benefit pension plans. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tcdrs.org.

All full and part-time non-temporary employees participate in the plan, regardless of the number of hours they work a year. Employees in a temporary position are not eligible for membership.

Benefits Provided. TCDRS provides retirement, disability and death benefits for all eligible employees. Benefit provisions are established by the TCDRS Act. The benefit terms may be amended as of January 1, each year, but must remain in conformity with the Act.

Members can retire at age 60 and above with 10 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 10 years of service, but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee’s contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer’s commitment to contribute. At retirement, death or disability, the benefit is calculated by converting the sum of the employee’s accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act. Updated annuity purchase rates will go into effect for post-2017 benefit accruals earned after 2017. Benefits accrued before 2018 will not be impacted by this update.

Employees covered by benefit terms

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	188
Inactive employees entitled to but not yet receiving benefits	196
Active employees	<u>275</u>
	<u>659</u>

Contributions. The contribution rates for employees in TCDRS are either 4%, 5%, 6%, or 7% of employee gross earnings, as adopted by the employer's governing body. Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Under the state law governing TCDRS, the contribution rate for each entity is determined annually by the actuary and approved by the TCDRS Board of Trustees. The replacement life entry age actuarial cost method is used in determining the contribution rate. The actuarially determined rate is the estimated amount necessary to fund benefits in an orderly manner for each participant over his or her career so that sufficient funds are accumulated by the time benefit payments begin, with an additional amount to finance any unfunded accrued liability.

Employees for the County were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the County were 10.82% and 11.12% in calendar years 2015 and 2016, respectively. The County's contributions to TCDRS for the year ended September 30, 2016, were \$1,230,199, and were equal to the required contributions.

Net Pension Liability. The County's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.5% per year
Investment rate of return	8.0%, net of pension plan investment expense, including inflation

Mortality rates for active members, retirees, and beneficiaries were based on the following:

Depositing members	The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after
Service retirees, beneficiaries and non-depositing members	The RP-2000 Combined Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with a one-year set-forward for males and no age adjustment for females.
Disabled retirees	RP-2000 Disabled Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with no age adjustment for males and a two-year set-forward for females.

The actuarial assumptions that determined the total pension liability as of December 31, 2015, were based on the results of an actuarial experience study for the period January 1, 2009 through December 31, 2012, except for mortality assumptions. Mortality assumptions were updated for the 2015 valuation to reflect projected improvements.

The long-term expected rate of return on pension plan investments is 8.1%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. The application of the investment return assumption was changed for purposes of determining plan liabilities in the 2015 actuarial valuation. All plan liabilities are now valued using an 8% discount rate. Previously, some liabilities were valued using a 7% discount rate and others were valued using a 9% discount rate.

The long-term expected rate of return on TCDRS is determined by adding inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information below are based on January 2016 information for a 7 to 10 year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013. The target allocation and best estimates of geometric real rates return for each major assets class are summarized in the following table:

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return (Expected minus Inflation) ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.45%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	14.00%	8.45%
Global Equities	MSCI World (net) Index	1.50%	5.75%
International Equities - Developed	MSCI World Ex USA (net)	10.00%	5.45%
International Equities - Emerging	MSCI World Ex USA (net)	8.00%	6.45%
Investment-Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	1.00%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	5.10%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	2.00%	5.09%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	5.00%	6.40%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	8.10%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	3.00%	4.00%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.80%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁴⁾	5.00%	6.90%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	25.00%	5.25%

⁽¹⁾ Target asset allocation adopted at the April 2016 TCDRS Board meeting.

⁽²⁾ Geometric real rates of return in addition to assumed inflation of 1.6% per Cliffwater's 2016 capital market assumptions.

⁽³⁾ Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

⁽⁴⁾ Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

Discount Rate

The discount rate used to measure the Total Pension Liability was 8.1%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2014	\$ 62,239,676	\$ 59,555,674	\$ 2,684,002
Changes for the year:			-
Service cost	1,453,099	-	1,453,099
Interest on total pension liability ⁽¹⁾	4,972,790	-	4,972,790
Effect of plan changes	(248,135)	-	(248,135)
Effect of economic/demographic gains or losses	(581,363)	-	(581,363)
Effect of assumptions changes or inputs	721,843	-	721,843
Refund of contributions	(254,750)	(254,750)	-
Benefit payments	(3,400,117)	(3,400,117)	-
Administrative expenses	-	(42,164)	42,164
Member contributions	-	728,870	(728,870)
Net investment income	-	(103,154)	103,154
Employer contributions	-	1,126,614	(1,126,614)
Other ⁽²⁾	-	135,481	(135,481)
Balance at 12/31/2015	<u>\$ 64,903,043</u>	<u>\$ 57,746,454</u>	<u>\$ 7,156,589</u>

⁽¹⁾ Reflects the change in the liability due to the time value of money. TCDRS does not charge

⁽²⁾ Relates to allocation of system-wide items.

Sensitivity Analysis

The following presents the net pension liability of the County, calculated using the discount rate of 8.1%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.1%) or 1-percentage-higher (9.1%) than the current rate:

	1% Decrease	Current	1% Increase
	7.1%	Discount Rate 8.1%	9.1%
Total pension liability	\$ 72,593,816	\$ 64,903,043	\$ 58,471,614
Fiduciary net position	<u>57,746,454</u>	<u>57,746,454</u>	<u>57,746,454</u>
Net pension liability/(asset)	<u>\$ 14,847,362</u>	<u>\$ 7,156,589</u>	<u>\$ 725,160</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCDRS financial report. The report may be obtained on the Internet at www.tcdrs.org.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2016, the County recognized pension expense of \$1,638,534.

At September 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual economic experience	\$ 607,915	\$ -
Changes in actuarial assumptions	-	541,382
Difference between projected and actual investment earnings	-	4,376,961
Contributions subsequent to the measurement date	-	946,909
Total	<u>\$ 607,915</u>	<u>\$ 5,865,252</u>

\$946,909 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended September 30	
2017	\$ 1,081,389
2018	1,081,389
2019	1,167,335
2020	980,315

Other Postemployment Benefits

The County provides certain health care benefits through a single-employer defined benefit OPEB plan for all full time employees that meet eligibility requirements. Eligible individuals include retired employees who have satisfied the requirements as defined by the Texas County & District Retirement System and their spouse and dependents that were covered prior to retirement. Members can retire at ages 60 and above with 10 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more.

Retirees are eligible for medical and prescription insurance at no cost to the retiree until they reach Medicare eligibility. An employee's spouse and dependents may also participate in the plan at the cost of the retiree. Upon reaching Medicare eligibility, the retiree will no longer receive medical insurance at no cost. At this time, the retiree will be responsible for full cost of the coverage.

Annual OPEB Cost and Net OPEB Obligation

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The County's annual OPEB cost for the current year and the related information is as follows:

Annual Required Contribution (ARC)	\$ 1,059,676
Interest on Net OPEB Obligation	334,644
Adjustment to the ARC	<u>(548,708)</u>
Annual Cost	845,612
Contributions Made	<u>(328,314)</u>
Increase (Decrease) in Net OPEB Obligation	517,298
Net OPEB Obligation, beginning of year	<u>8,366,105</u>
 Net OPEB Obligation, ending of year	 <u>\$ 8,883,403</u>

The County's annual OPEB cost, contributions made, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the prior three years is listed below:

Fiscal Year Ended	Annual OPEB Cost	Employers Contribution	Percentage Contributed	Net OPEB Obligation
9/30/2014	\$ 1,847,553	\$ 362,310	20%	\$ 7,767,540
9/30/2015	860,930	262,365	30%	8,366,105
9/30/2016	845,612	328,314	39%	8,883,403

Funding Status

As of October 1, 2014, the actuarial accrued liability for benefits was \$8,010,018, all of which was unfunded. The amortization of the unfunded actuarial accrued liability is calculated assuming 30 level annual payments. GASB 45 allows for these payments to be calculated as a level percent of payroll. If this were done, the current year annual required contribution would be lower, but the contribution would be higher in future years as payroll increases.

Schedule of Funding Progress as of Most Recent Valuation

Actuarial Valuation Date	Actuarial Value of Assets	Discount Rate	Actuarial Accrued Liabilities ⁽¹⁾	Unfunded Actuarial Accrued Liabilities ⁽²⁾	Funded Ratio (a/b)
10/1/2014	\$ -	4.00%	\$ 8,010,018	\$ 8,010,018	\$ -

- 1) Actuarial accrued liability determined under the projected unit credit cost method.
- 2) Actuarial accrued liability less actuarial value of assets.

The projection of future payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2014, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of investment expenses) and an annual health care costs trend rate of 6.5 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after a number of years. The County’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis.

Pass-through Toll Agreement

In 2011, the County entered into an agreement with the Texas Department of Transportation (TXDOT) for the development and construction of a project on U.S. Highway 82. The total estimated cost of the project is \$31,921,000. TXDOT is reimbursing the County for its proportional share of the allowable costs incurred under the project, estimated to be \$26,200,000. The maximum amount to be reimbursed to the County by TXDOT is \$28,820,000.

TXDOT is not obligated to begin making payments under the agreement until the project is substantially complete and open to the public. Under the agreement, when the project is complete, TXDOT will reimburse the County an annual amount equal to \$0.07 for each vehicle mile traveled on the project during the previous year. Each annual reimbursement will be not less

than \$1,310,000 nor more than \$2,620,000. The first annual payment will be made 60 days after the first anniversary of the project's completion and the Department's issuance of a Letter of Acceptance. Subsequent annual payments will be made within 60 days after each succeeding anniversary. On October 17, 2016, TXDOT remitted to the County its Letter of Acceptance as described under the terms of the agreement. As of September 30, 2016, a receivable of \$24,014,543 has been accrued for reimbursable expenditures incurred by the County.

Prior Period Adjustment

A prior period adjustment was recorded to recognize a liability for Tax Increment Financing obligations that had not been recorded in previous years. The effect of this adjustment was a decrease of \$682,508 to beginning net position.

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BOWIE COUNTY, TEXAS

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

GENERAL FUND

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
REVENUES				
Taxes:				
Ad valorem	\$ 13,901,235	\$ 13,901,235	\$ 15,621,169	\$ 1,719,934
Sales	6,110,000	6,110,000	6,431,637	321,637
Other	186,500	186,500	189,715	3,215
Total taxes	<u>20,197,735</u>	<u>20,197,735</u>	<u>22,242,521</u>	<u>2,044,786</u>
Intergovernmental	805,500	805,500	1,239,812	434,312
Charges for services:				
General government	2,103,800	2,103,800	1,984,537	(119,263)
Public safety	6,003,600	6,003,600	6,595,823	592,223
Public works	906,000	906,000	982,487	76,487
Total charges for services	<u>9,013,400</u>	<u>9,013,400</u>	<u>9,562,847</u>	<u>549,447</u>
Investment earnings	3,400	3,400	29,798	26,398
Miscellaneous	<u>89,600</u>	<u>89,600</u>	<u>84,056</u>	<u>(5,544)</u>
Total revenues	<u>\$ 30,109,635</u>	<u>\$ 30,109,635</u>	33,159,034	<u>\$ 3,049,399</u>
Revenues in sub-funds of the General Fund that are not budgeted			<u>603,584</u>	
Total revenues in the Statement of Revenues, Expenditures and Changes in Fund Balance			<u>\$ 33,762,618</u>	
OTHER FINANCING SOURCES				
Sale of capital assets	\$ -	\$ -	\$ 48,159	\$ 48,159
Total other financing sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,159</u>	<u>\$ 48,159</u>

BOWIE COUNTY, TEXAS

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

GENERAL FUND

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
EXPENDITURES				
General government:				
Personnel services	\$ 2,133,703	\$ 1,963,057	\$ 1,964,517	\$(1,460)
Supplies and materials	145,871	139,816	298,874	(159,058)
Contractual services	6,105,690	4,928,602	4,763,065	165,537
Miscellaneous	<u>19,275</u>	<u>35,186</u>	<u>37,022</u>	<u>(1,836)</u>
Total general government	<u>8,404,539</u>	<u>7,066,661</u>	<u>7,063,478</u>	<u>3,183</u>
Public safety:				
Personnel services	7,442,957	7,604,567	7,323,055	281,512
Supplies and materials	274,912	215,581	209,344	6,237
Contractual services	10,912,159	10,540,517	10,617,243	(76,726)
Miscellaneous	<u>48,016</u>	<u>35,828</u>	<u>40,623</u>	<u>(4,795)</u>
Total public safety	<u>18,678,044</u>	<u>18,396,493</u>	<u>18,190,265</u>	<u>206,228</u>
Public works:				
Personnel services	1,694,087	1,701,830	1,722,214	(20,384)
Supplies and materials	835,275	701,998	697,981	4,017
Contractual services	376,844	357,880	413,763	(55,883)
Miscellaneous	<u>88,180</u>	<u>82,816</u>	<u>82,503</u>	<u>313</u>
Total public works	<u>2,994,386</u>	<u>2,844,524</u>	<u>2,916,461</u>	<u>(71,937)</u>
Health and welfare:				
Indigent medical	-	1,705,114	1,694,166	10,948
Total health and welfare	<u>-</u>	<u>1,705,114</u>	<u>1,694,166</u>	<u>10,948</u>
Capital outlay:				
General government	63,100	47,371	18,951	28,420
Public safety	95,500	111,124	77,238	33,886
Public works	<u>148,000</u>	<u>212,282</u>	<u>153,103</u>	<u>59,179</u>
Total capital outlay	<u>306,600</u>	<u>370,777</u>	<u>249,292</u>	<u>121,485</u>
Total expenditures	<u>\$ 30,383,569</u>	<u>\$ 30,383,569</u>	30,113,662	<u>\$ 269,907</u>
Expenditures in sub-funds of the General Fund that are not budgeted			<u>632,603</u>	
Total expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balance			<u>\$ 30,746,265</u>	
Net change in fund balance				
(budgeted subfunds only)	<u>\$(273,934)</u>	<u>\$(273,934)</u>	<u>\$ 3,093,531</u>	<u>\$ 3,367,465</u>

BOWIE COUNTY, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY SCHEDULE

SEPTEMBER 30, 2016

Budgetary Information

The Commissioners' Court follows the general provisions outlined below in establishing the budgetary data reflected in the accompanying budgetary schedule.

1. The County Judge, serving as the budget officer, submits to the Commissioners' Court a proposed budget for the fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them for governmental fund types.
2. Public hearings are conducted, at which all interested persons' comments concerning the budget are heard.
3. The budget is legally enacted by the Commissioners' Court, usually by the end of September.
4. The budget, as compared to actual, is reviewed on a monthly basis, and periodically, budget amendments are made.
5. Budgets for the General, Special Revenue, and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Commissioners' Court.
6. Appropriations lapse at year-end. Since the County intends to honor all commitments, subsequent year's appropriations provide authority to complete any transactions not completed in any year.
7. The estimated revenues and appropriations presented in the accompanying budgetary schedule are those of the County's General Fund. This includes several sub-funds that are aggregated with and reported in the General Fund in the Statement of Revenues, Expenditures and Changes in Fund Balances. Certain other sub-funds that are aggregated with and reported in the General Fund in the Statement of Revenues, Expenditures and Changes in Fund Balances are not budgeted, and are therefore excluded from this schedule. A reconciliation is provided to reconcile the budgetary schedule with the Statement of Revenues, Expenditures and Changes in Fund Balances.
8. Total appropriations exceeded overall expenditures in the General Fund by \$227,686. Additionally, the County recognized greater than anticipated revenues of \$3,049,398.

BOWIE COUNTY, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Plan Year Ended December 31	<u>2014</u>	<u>2015</u>
Total Pension Liability		
Service Cost	\$ 1,601,617	\$ 1,453,099
Interest total pension liability	4,759,118	4,972,790
Effect of plan changes	-	(248,135)
Effect of assumption changes or inputs	-	721,843
Effect of economic/demographic (gains) or losses	(343,785)	(581,363)
Benefit payments/refunds of contributions	(3,426,501)	(3,654,867)
Net change in total pension liability	2,590,449	2,663,367
Total pension liability - beginning	<u>59,649,227</u>	<u>62,239,676</u>
Total pension liability - ending (a)	<u>\$ 62,239,676</u>	<u>\$ 64,903,043</u>
Plan Fiduciary Net Position		
Employer contributions	\$ 1,218,355	\$ 1,126,614
Member contributions	804,120	728,870
Investment income net of investment expenses	3,850,885	(103,154)
Benefit payments and refunds of contributions	(3,426,501)	(3,654,867)
Administrative expenses	(44,882)	(42,162)
Other	<u>155,189</u>	<u>135,481</u>
Net change in plan fiduciary net position	2,557,166	(1,809,218)
Plan fiduciary net position - beginning	<u>56,998,508</u>	<u>59,555,674</u>
Plan fiduciary net position - ending (b)	<u>\$ 59,555,674</u>	<u>\$ 57,746,456</u>
Net pension liability - ending (a) - (b)	<u>\$ 2,684,002</u>	<u>\$ 7,156,587</u>
Fiduciary net position as a percentage of total pension liability	96%	89%
Pensionable covered payroll	\$ 11,487,428	\$ 10,412,424
Net pension liability as a percentage of covered payroll	23%	69%

BOWIE COUNTY, TEXAS

SCHEDULE OF EMPLOYER CONTRIBUTIONS

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

LAST TWO FISCAL YEARS

Fiscal Year	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll (1)	Actual Contribution as a % of Covered Payroll
2014	\$ 1,218,063	\$ 1,218,063	\$ -	\$ 11,727,962	10%
2015	1,130,721	1,130,721	-	10,505,446	11%
2016	1,230,199	1,230,199	-	11,133,639	11%

(1) Payroll is calculated based on contributions as reported to TCDRS.

BOWIE COUNTY, TEXAS

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Valuation Date	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial Cost Method	Entry age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	15.2 years (based on contribution rate calculated in 12/31/2015 valuation)
Inflation	3.00%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.
Changes in Plan Provisions Reflected in the Schedule*	No changes in plan provisions are reflected in the Schedule of Employer Contributions.

BOWIE COUNTY, TEXAS

**SCHEDULE OF FUNDING PROGRESS
POST-RETIREMENT HEALTH CARE BENEFIT PLAN**

FOR THE YEAR ENDED SEPTEMBER 30, 2016

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Funded Ratio (a/b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>
10/1/2010	\$ -	\$ 10,454,409	0%	\$ 10,454,409
10/1/2012	-	14,028,552	0%	14,028,552
10/1/2014	-	8,010,018	0%	8,010,018

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**COMBINING
FUND STATEMENTS**

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NONMAJOR SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for restricted revenue sources which by law or contract are designated to finance particular functions or activities of the County and which, therefore, cannot be diverted to other uses.

Inmate Benefit – This fund is used to account for the County's share of commissary proceeds which may be used to develop a program addressing the social needs of the County prisoners; supply prisoners with certain supplies; establish, staff and equip the commissary operations; or fund, staff and equip a library for the educational use of County prisoners.

Road and Bridge Lateral – This fund is used to account for receipts of state gasoline taxes allocated by the State of Texas. The monies are transferred to the General Fund as costs are accumulated for the maintenance of certain County roads.

Law Library – This fund is used to account for the cost of maintaining the County's law library for public use. Financing is provided through fees charged as a part of court costs for cases processed through the Justice and District Courts.

Texas VINE – This fund is used to account for grant monies spent on behalf of Bowie County by the State of Texas Office of the Attorney General.

Title IV-E – This fund is used to account for grant monies received associated with administering Title IV-E child support payments.

Specialized DV Caseload Grant – This fund is used to account for grant monies received associated with the Specialized DV Caseload Grant.

Drug Court Grant – This fund is used to account for grant monies received associated with the Edward Byrne Memorial Justice Assistance Grant.

Drug Court Program – This fund is used to account for the Drug Court costs including the salary of the Drug Court Judge.

County Transportation Infrastructure Fund Grant – This fund is used to account for the County Transportation Infrastructure Fund Grant received from the Texas Department of Transportation.

BOWIE COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2016

	Special Revenue			
	Inmate Benefit	Road and Bridge Lateral	Law Library	Texas VINE
ASSETS				
Cash and investments	\$ 299,694	\$ 460,632	\$ -	\$ -
Due from other governments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 299,694</u>	<u>\$ 460,632</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 40	\$ -	\$ 6,931	\$ -
Due to other funds	<u>-</u>	<u>-</u>	<u>56,323</u>	<u>-</u>
Total liabilities	<u>40</u>	<u>-</u>	<u>63,254</u>	<u>-</u>
Fund balances:				
Restricted:				
Road improvements	-	460,632	-	-
Inmate benefit	299,654	-	-	-
Foster care	-	-	-	-
Drug Court	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>(63,254)</u>	<u>-</u>
Total fund balances	<u>299,654</u>	<u>460,632</u>	<u>(63,254)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 299,694</u>	<u>\$ 460,632</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue

Title IV-E	Specialized DV Caseload Grant	Drug Court Grant	Drug Court Program	County Transportation Infrastructure Fund Grant	Total Governmental Funds
\$ 126,694	\$ -	\$ -	\$ 5,604	\$ -	\$ 892,624
<u>-</u>	<u>6,364</u>	<u>13,866</u>	<u>-</u>	<u>-</u>	<u>20,230</u>
<u>\$ 126,694</u>	<u>\$ 6,364</u>	<u>\$ 13,866</u>	<u>\$ 5,604</u>	<u>\$ -</u>	<u>\$ 912,854</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,971
<u>-</u>	<u>6,364</u>	<u>13,866</u>	<u>-</u>	<u>-</u>	<u>76,553</u>
<u>-</u>	<u>6,364</u>	<u>13,866</u>	<u>-</u>	<u>-</u>	<u>83,524</u>
-	-	-	-	-	460,632
-	-	-	-	-	299,654
126,694	-	-	-	-	126,694
-	-	-	5,604	-	5,604
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(63,254)</u>
<u>126,694</u>	<u>-</u>	<u>-</u>	<u>5,604</u>	<u>-</u>	<u>829,330</u>
<u>\$ 126,694</u>	<u>\$ 6,364</u>	<u>\$ 13,866</u>	<u>\$ 5,604</u>	<u>\$ -</u>	<u>\$ 912,854</u>

BOWIE COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Special Revenue</u>			
	<u>Inmate Benefit</u>	<u>Road and Bridge Lateral</u>	<u>Law Library</u>	<u>Texas VINE</u>
REVENUES				
Taxes	\$ -	\$ 44,629	\$ -	\$ -
Charges for services	90,928	-	23,871	-
Intergovernmental	-	-	-	16,500
Total revenues	<u>90,928</u>	<u>44,629</u>	<u>23,871</u>	<u>16,500</u>
EXPENDITURES				
Current:				
General government	-	-	90,139	-
Public safety	121,820	-	-	16,500
Public works	-	-	-	-
Total expenditures	<u>121,820</u>	<u>-</u>	<u>90,139</u>	<u>16,500</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(30,892)	44,629	(66,268)	-
FUND BALANCES, BEGINNING	<u>330,546</u>	<u>416,003</u>	<u>3,014</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 299,654</u>	<u>\$ 460,632</u>	<u>\$ (63,254)</u>	<u>\$ -</u>

Special Revenue

<u>Title IV-E</u>	<u>Specialized DV Caseload Grant</u>	<u>Drug Court Grant</u>	<u>Drug Court Program</u>	<u>County Transportation Infrastructure Fund Grant</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,629
-	-	-	-	-	114,799
<u>28,427</u>	<u>35,020</u>	<u>269,285</u>	<u>6,088</u>	<u>96,403</u>	<u>451,723</u>
<u>28,427</u>	<u>35,020</u>	<u>269,285</u>	<u>6,088</u>	<u>96,403</u>	<u>611,151</u>
-	-	-	-	-	90,139
-	35,020	269,285	3,534	-	446,159
-	-	-	-	<u>96,403</u>	<u>96,403</u>
-	<u>35,020</u>	<u>269,285</u>	<u>3,534</u>	<u>96,403</u>	<u>632,701</u>
28,427	-	-	2,554	-	(21,550)
<u>98,267</u>	-	-	<u>3,050</u>	-	<u>850,880</u>
<u>\$ 126,694</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,604</u>	<u>\$ -</u>	<u>\$ 829,330</u>

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AGENCY FUNDS

State of Texas – This fund is used to account for the collection and payment of auto registration fees, sales taxes on automobiles, and court costs included in the collection of fines assessed by the courts for misdemeanors and felonies on behalf of the State of Texas.

Tax Office – This fund is used to account for funds held by the Tax Office as an agent for other taxing entities.

District Attorney Evidence – This fund is used to account for evidence money obtained by the County and held until disposition as directed by the Courts.

Inmate Escrow – This fund is used to account for monies of County inmates held in escrow on their behalf. The monies are disbursed to the jail commissary and other parties upon direction from the inmates.

Local Provider Participation Fund – This fund is used to account for revenues from mandatory payments that may be required by the county from an institutional health care provider to fund certain intergovernmental transfers and indigent care programs.

County Clerk Guardianship – This fund is used to account for interest earnings and principal cash established by the Court for various minors within the Court's jurisdiction. Upon attainment of the age of majority, the funds are remitted to the individuals.

District Clerk – These funds are used to account for monies of various individuals or firms held by the County in connection with litigation in progress in the District Courts.

Other Agency – This fund is used to account for various monies collected or deposited with the County associated with activities such as bail bonds of individuals, restitution and attorneys' fees awarded by the Courts, and miscellaneous fees collected by the County Sheriff for various other local governments. The monies are disbursed to the parties for whom the assets are held by order of the Courts.

Levee and Drainage – This fund is used to account for earnings on a time deposit of the Bowie County Levee and Drainage Fund and to periodically pay expenses authorized by the Levee and Drainage Board.

Adult Probation – This fund is used to account for monies held by the County as an agent for the Bowie County Community Supervision and Corrections Department.

Juvenile Probation – This fund is used to account for monies held by the County as an agent for the Bowie County Juvenile Probation Department.

BOWIE COUNTY, TEXAS

AGENCY FUNDS

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

SEPTEMBER 30, 2016

	<u>Agency Funds</u>				
	<u>State of Texas</u>	<u>Tax Office</u>	<u>District Attorney Evidence</u>	<u>Inmate Escrow</u>	<u>Local Provider Participation</u>
ASSETS					
Cash and investments	\$ <u>209,460</u>	\$ <u>844,453</u>	\$ <u>120,505</u>	\$ <u>140,190</u>	\$ <u>5,894,483</u>
Total assets	\$ <u>209,460</u>	\$ <u>844,453</u>	\$ <u>120,505</u>	\$ <u>140,190</u>	\$ <u>5,894,483</u>
LIABILITIES					
Due to others	\$ <u>209,460</u>	\$ <u>844,453</u>	\$ <u>120,505</u>	\$ <u>140,190</u>	\$ <u>5,894,483</u>
Total liabilities	\$ <u>209,460</u>	\$ <u>844,453</u>	\$ <u>120,505</u>	\$ <u>140,190</u>	\$ <u>5,894,483</u>

Agency Funds

<u>County Clerk Guardianship</u>	<u>District Clerk</u>	<u>Other Agency</u>	<u>Levee & Drainage</u>	<u>Adult Probation</u>	<u>Juvenile Probation</u>	<u>Totals</u>
\$ 430,853	\$ 1,479,933	\$ 270,759	\$ 7,779	\$ 1,838,683	\$ 236,783	\$ 11,473,882
<u>\$ 430,853</u>	<u>\$ 1,479,933</u>	<u>\$ 270,759</u>	<u>\$ 7,779</u>	<u>\$ 1,838,683</u>	<u>\$ 236,783</u>	<u>\$ 11,473,882</u>
<u>\$ 430,853</u>	<u>\$ 1,479,933</u>	<u>\$ 270,759</u>	<u>\$ 7,779</u>	<u>\$ 1,838,683</u>	<u>\$ 236,783</u>	<u>\$ 11,473,882</u>
<u>\$ 430,853</u>	<u>\$ 1,479,933</u>	<u>\$ 270,759</u>	<u>\$ 7,779</u>	<u>\$ 1,838,683</u>	<u>\$ 236,783</u>	<u>\$ 11,473,882</u>

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